

Message Text

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ACTION EUR-12

INFO OCT-01 EA-12 ISO-00 SP-02 USIA-15 AID-05 EB-08
NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00 COME-00
FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04
SIL-01 L-03 H-02 PA-02 PRS-01 /115 W
-----112650 010909Z /13

R 010834Z FEB 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 5390
DEPARTMENT TREASURY
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
AMCONSUL FRANKFURT

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USEEC ALSO FOR EMBASSY, USOECD ALSO FOR EMBASSY

DEPARTMENT PASS FEDERAL RESERVE

E.O. 11652: N/A
TAG: ECON, EFIN, GW
SUBJECT: FINANCIAL DEVELOPMENTS
(WEEK ENDING JANUARY 30, 1978)

REF: BONN 1777, BONN 1696, BONN 1437, BONN 1369,
BONN 900

1. MONETARY DEVELOPMENTS:

IN DECEMBER CENTRAL BANK MONEY (CBM), SEASONALLY ADJUSTED, INCREASED BY DM 0.5 BILLION TO DM 131.7 BILLION.

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IN NOVEMBER CBM INCREASED BY DM 1.8 BILLION FOLLOWING A DM 1.0 BILLION INCREASE IN OCTOBER. THE DECEMBER INCREASE BROUGHT THE 1977 GROWTH OF CBM (1977 AVERAGE OVER 1976 AVERAGE) TO 9.0 PERCENT COMPARED WITH THE 8 PERCENT GROWTH TARGET OF THE BUNDESBANK FOR 1977.
OTHER MONETARY AGGREGATES (M1, M2 AND M3) EXPANDED SUB-

STANTIALY IN DECEMBER, BASICALLY AS THE RESULT OF

SEASONAL FACTORS. ON A SEASONALLY ADJUSTED BASIS M1,
M2 AND M3 DEVELOPED AS FOLLOWS (CHANGES IN DM BILLION,
QUARTERLY DATA ARE MONTHLY AVERAGES):

SEASONALLY ADJUSTED

	1ST Q	2ND Q	3RD Q	OCT.	NOV.	DEC.
M1	2.6	1.4	2.3	2.4	3.0	-4.3
M2	1.4	1.4	3.6	5.5	6.6	0.7
M3	3.6	2.6	7.2	7.8	8.9	0.4

SEASONALLY UNADJUSTED

M1	-2.4	3.6	0.9	1.9	15.8	-2.8
M2	-5.0	3.2	1.9	8.3	17.1	8.0
M3	-3.1	3.1	4.8	10.3	18.4	16.0

IN DECEMBER THE INDIVIDUAL COMPONENTS OF THE MONEY
SUPPLY DEVELOPED AS FOLLOWS (NON-SEASONALLY ADJUSTED,
CHANGES IN DM BILLION):

	DECEMBER	NOVEMBER
	-----	-----

	1976	1977	1977
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I. LENDING TO DOMESTIC

NON-BANKS	15.4	16.0	16.8
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FROM BUNDESBANK	1.8	-1.7	2.6
FROM COMMERCIAL BANKS	13.6	17.7	14.2
TO PUBLIC SECTOR	1.6	4.1	6.0
TO PRIVATE SECTOR	12.0	13.7	8.2

II. NET EXTERNAL POSITION

OF BUNDESBANK AND COMMERCIAL BANKS	-2.6	3.1	2.0
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III. LONG-TERM BANK DEPOSITS

AND OUTSTANDING BANK BONDS (1)	12.1	11.5	2.5
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IV. OFFICIAL ASSETS HELD AT

CENTRAL BANK	-1.8	-0.8	-2.2
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V. OTHER

	-7.9	-7.6	0.2
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VI. M3 (2) (EQUALS I PLUS II

MINUS III MINUS IV MINUS V)	10.4	16.0	18.4
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SIL-01 L-03 H-02 PA-02 PRS-01 /115 W
-----112683 010908Z /10

R 010834Z FEB 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 5391
DEPARTMENT TREASURY
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
AMCONSUL FRANKFURT

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VII. M2 (M3 MINUS SAVINGS
DEPOSITS) 2.5 8.0 17.1

VIII. M1 (M2 MINUS TIME
DEPOSITS -4.2 -2.8 15.8

(1) EXCLUDING SIGHT DEPOSITS, TIME DEPOSITS WITH
MATURITIES UP TO 4 YEARS, AND SAVINGS DEPOSITS WITH
3-MONTH PERIOD OF NOTICE, AND BONDS HELD BY BANKS.
(2) CURRENCY IN CIRCULATION, SIGHT DEPOSITS, TIME DE-
POSITS WITH MATURITIES UP TO 4 YEARS AND SAVINGS DE-
POSITS WITH 3-MONTH PERIOD OF NOTICE.

IN THE FULL YEAR 1977 COMPARED WITH PREVIOUS YEARS,
MONETARY AGGREGATES DEVELOPED AS FOLLOWS (PERCENTAGE
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CHANGES OVER PREVIOUS YEAR: ANNUAL AVERAGE OVER
ANNUAL AVERAGE):

	DM BILLION			PCT. CHANGE OVER PREVIOUS YEAR		
	1975	1976	1977	1975	1976	1977
M1	159.6	176.2	190.9	13.8	10.4	8.3
M2	260.9	275.2	298.6	-0.6	5.5	8.5
M3	452.1	497.3	544.1	7.5	10.0	9.4
CBM	105.7	115.4	125.8	7.9	9.2	9.0

2. FOREIGN EXCHANGE MARKETS:
DURING THE REPORTING PERIOD, FRANKFURT SPOT AND FORWARD
DOLLAR RATES DEVELOPED AS FOLLOWS:

FRANKFURT DOLLAR/DM RATES						

SPOT DOLLARS			FORWARD DOLLARS			
(IN DM PER \$ 1.--)			(IN PCT. PER ANNUM)			
OPENING	FIXING	CLOSING	ONE-MONTH	THREE-MONTH		

JAN. 24	2.1075	2.1079	2.1085	-4.5	-4.3	
25	2.1080	2.1080	2.1020	-3.7	-4.0	
26	2.1015	2.1059	2.1088	-3.8	-4.3	
27	2.1175	2.1120	2.1105	-3.7	-4.3	
30	2.1165	2.1149	2.1170	-3.9	-4.4	
31	2.1140	2.1118	N.A.	N.A.	N.A.	

3. MONEY MARKET:
CONDITIONS ON GERMAN MONEY MARKETS REMAINED BASICALLY
UNCHANGED DURING THIS PERIOD. FRANKFURT INTERBANK
MONEY RATES WERE AS FOLLOWS:
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	CALL MONEY	ONE-MONTH	THREE-MONTH
	-----	-----	-----
JAN 24	3.40-3.60	3.45	3.53
25	3.40-3.55	3.45	3.55
26	3.40-3.50	3.45	3.55
27	3.45-3.55	3.4	
(	3.55		
30	3.50-3.60	3.45	3.55

4. BUNDESBANK FOREIGN POSITION:
DURING THE PERIOD JANUARY 16-23 THE BUNDESBANK'S NET
FOREIGN POSITION DECLINED BY DM 0.9 BILLION TO DM 90.3
BILLION. ACCORDING TO THE BUNDESBANK THE DECLINE LARGELY
REFLECTED THE CONVERSION THROUGH THE BUNDESBANK DM
BONDS ISSUED BY FOREIGN BORROWERS INTO FOREIGN CURRENCIES.
FOREIGN EXCHANGE HOLDINGS DECLINED BY DM 161 MILLION,

CLA

CLAIMS ON THE EUROPEAN MONETARY FUND BY DM 352 MILLION
AND SDR HOLDINGS BY DM 264 MILLION. FOREIGN LIABILITIES
INCREASED BY ABOUT DM 120 MILLION.

5. BANK LIQUIDITY:

DURING THE SAME PERIOD BANK LIQUIDITY DECLINED BY DM
1.7 BILLION. THE MAJOR FACTOR REDUCING LIQUIDITY WAS
PAYMENTS FOR THE MINOR MID-JANUARY TAX DATE WHICH IN-
CREASED BUNDESBANK ASSETS OF THE FEDERAL GOVERNMENT BY
DM 5.5 BILLION (TO DM 6.2 BILLION) AND ASSETS OF THE
STATE GOVERNMENTS BY DM 4.2 BILLION (TO DM 7.0 BILLION).
OTHER FACTORS REDUCING LIQUIDITY WERE THE ABOVE-
MENTIONED DECLINE IN BUNDESBANK MONETARY RESERVES,
DM 0.9 BILLION OF SALES OF MONEY MARKET PAPER BY THE
BUNDESBANK AND OTHER, UNSPECIFIED FACTORS (DM 0.9
BILLION, NET). LIQUIDITY WAS INCREASED BY THE USUAL
DECLINE IN CURRENCY IN CIRCULATION IN THE THIRD WEEK OF
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THE MONTH (DM 2.9 BILLION) AND A SUBSTANTIAL DM 7.4
BILLION REDUCTION
IN THE BANKS' HOLDINGS OF RESERVES AT THE BUNDESBANK.

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SIL-01 L-03 H-02 PA-02 PRS-01 /115 W
-----112730 010906Z /10

R 010834Z FEB 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 5392
DEPARTMENT TREASURY
INFO AMEMBASSY BERN

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IN THE PERIOD JANUARY 1-23 THE BANKS' RESERVE HOLDINGS AMOUNTED, AN AVERAGE PER DAY, TO DM 48.3 BILLION WHICH IS SLIGHTLY ABOVE ANTICIPATED JANUARY RESERVE REQUIREMENTS OF DM 47.9 BILLION. THE BANKS FINANCED THE LIQUIDITY LOSS BY INCREASING LOMBARD BORROWINGS BY DM 1.9 BILLION (TO DM 2.2 BILLION); AT THE SAME TIME THEY REDUCED REDISCOUNT BORROWINGS BY DM 0.2 BILLION.

6. REDUCTION IN INTEREST RATES ON SAVINGS DEPOSITS:
 EFFECTIVE FEBRUARY 1, THE DEUTSCHE AND THE DRESDNER BANK WILL REDUCE INTEREST RATES ON SAVINGS DEPOSITS WITH LEGAL PERIOD OF NOTICE (3 MONTHS) FROM 3 PERCENT TO 2 1/2 PERCENT. INTEREST RATES FOR LONGER TERM SAVINGS
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DEPOSITS WILL ALSO BE REDUCED BY 1/2 PERCENT. THE THIRD OF THE BIG THREE BANKS, THE COMMERZBANK, WILL FOLLOW THIS STEP ON FEBRUARY 3. THE SAVINGS BANKS' ASSOCIATION HAD ALREADY RECOMMENDED THAT ITS MEMBER BANKS "ADJUST" SAVINGS INTEREST RATES TO MARKET CONDITIONS PREVAILING SINCE THE DECEMBER 16 HALF PERCENT REDUCTION IN THE BUNDESBANK'S REDISCOUNT AND LOMBARD RATES (SEE BONN 900).

7. BOND MARKET:
 ON THE MARKET FOR DOMESTIC BONDS PRICES REMAINED BASICALLY STABLE. ACCORDING TO THE PRESS AVERAGE CURRENT YIELDS OF OUTSTANDING DOMESTIC BONDS BROKEN DOWN BY REMAINING MATURITY WERE AS FOLLOWS:

REMAINING MATURITY							
(YEARS)	1	3	5	7	9	10	
	----	----	----	----	----	----	
JANUARY 27	3.95	4.80	5.25	5.70	6.00	6.10	
JANUARY 20	3.95	4.80	5.30	5.70	6.05	6.10	

ON JANUARY 30 THE FEDERAL GOVERNMENT SOLD DM 980 MILLION OF SCHULDSCHNEINE (PROMISSORY NOTES) FOR WHICH IT HAD INVITED BIDS DURING THE PREVIOUS WEEK (SEE

BONN 1369). THE SCHULDSCHNEINE CARRIED A COUPON OF 6 PERCENT AND A MATURITY OF 10 YEARS. THEY WERE SOLD AT 99.40 RESULTING IN AN EFFECTIVE YIELD OF 6.08 PERCENT. BIDS MADE BY INVESTORS, MAINLY BANKS, FOR THE SCHULDSCHNEINE HAD AMOUNTED TO DM 1.745 BILLION.

FOREIGN DM BONDS:

THE GOVERNMENT OF AUSTRIA REPORTEDLY PLACED PRIVATELY SCHULDSCHNEINE IN AN AMOUNT OF ABOUT DM 200 MILLION. THE COUPON WAS REPORTEDLY 6 PERCENT, THE MATURITY 10 UNCLASSIFIED

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YEARS AND THE ISSUE PRICE 98 3/4. FURTHER BORROWERS EXPECTED ON THE MARKET FOR FOREIGN DM BONDS ARE THE FOLLOWING: BANQUE NATIONALE D'ALGERIE (DM 100 MILLION, COUPON PROBABLY 7 1/4 PERCENT, MAXIMUM MATURITY 5 YEARS, ISSUE PRICE ABOUT 100); THE FINNISH FIRM VOIMA (DM 80 MILLION, 6 PERCENT, 10 YEARS); THE GOVERNMENT OF FINLAND (PRIVATE PLACEMENT OF DM 50 MILLION, MAXIMUM MATURITY 5 YEARS, 5 1/2 PERCENT); NEW ZEALAND (DM 200 MILLION, 8 OR 10 YEARS); SWEDEN (PRIVATE PLACEMENT OF DM 200 MILLION); THE SOUTH AFRICAN ESCOM (PRIVATE PLACEMENT, 8 1/4 PERCENT, 3 YEARS); THE EUROPEAN RAILWAY FINANCING FIRM EUROFIMA (DM 100 MILLION, PROBABLY 5 1/2 PERCENT AND A MAXIMUM MATURITY OF 10 YEARS); BANCO NACIONAL DE DESENVOLVIMENTO ECONOMICO (BNDE, DM 150 MILLION); GROUPEMENT DE L'INDUSTRIE SIDERURGIQUE (PRIVATE PLACEMENT, DM 40 MILLION); TAUERNAUTOBAHN (DM 70 MILLION). IN TOTAL FOREIGN DM ISSUES IN FEBRUARY MAY REACH DM 1.2 - 1.4 BILLION.

8. ECONOMIC INDICATORS PUBLISHED THIS WEEK:

ACCORDING TO THE LATEST BUSINESS SURVEY DATA OF THE IFO ECONOMIC RESEARCH INSTITUTE, APPRAISALS OF BUSINESS

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TRENDS BY FRG MANUFACTURERS CONTINUE PREDOMINANTLY
NEGATIVE, AS SHOWN BELOW.

EXCESS OF PESSIMISTIC OVER OPTIMISTIC RESPONDENTS
IN PERCENT

SEPT. OCT. NOV. DEC.
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SUBJECT OF
APPRAISAL
CURRENT BUSINESS
SITUATION 23 24 22 22
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PROSPECTS FOR THE
NEXT SIX MONTHS 17 19 18 16

NON-SEASONALLY ADJUSTED FIGURES

SEPT. OCT. NOV.
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INSOLVENCIES

TOTAL 768 735 777
PCT. CHANGE FROM

PREVIOUS YEAR -4.6 -16.6 O.1

OTHER MESSAGES SUBMITTED THIS WEEK: BONN 1777 - BUNDESTAG

APPROVES DM 188.7 BILLION FEDERAL BUDGET FOR 1978;

BONN 1696 - FRG'S ECONOMIC REPORT FOR 1978; BONN 1437 -

FRG GNP IN 1976/1977.

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Message Attributes

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Disposition Date: 01 jan 1960
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ISecure: 1
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Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 857a08ce-c288-dd11-92da-001cc4696bcc
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Subject: FINANCIAL DEVELOPMENTS (WEEK ENDING JANUARY 30, 1978)
TAGS: EFIN, ECON, GE
To: STATE TRSY
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/857a08ce-c288-dd11-92da-001cc4696bcc
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